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| LOCAL COMMISSIONERS MEMORANDUM |
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Transmittal No: 97 LCM-60

Date: October 23, 1997

Division: Services & Community
Development

TO: Local District Commissioners

SUBJECT: Foster Care: A Contractual/Payment Model for Delivering
Intensive Discharge and Aftercare Services
to Children in Foster Care

ATTACHMENTS:

- A - Instructions Regarding Payment, Claiming, Contractual Arrangements
and Systems Implications (available on-line in OFISLINK)
- B - Budgeting Examples/Tools: (available through CONNECTIONS upon
request to your regional office
representative)

A. PURPOSE

The purpose of this memorandum is to advise social services districts of the potential to achieve improved outcomes for children and families through a more strategic approach to the delivery of foster care services. The Department is going to submit this memorandum to the U.S. Department of Health and Human Services as part of a Title IV-E State Plan amendment for their review and approval. The direction set forth in this memorandum can be implemented only when the Department receives such approval. Social services districts will be notified of any such approval.

Although this memorandum provides a structure for implementing a change in the delivery of foster care services, it does not impose any new service requirements upon social services districts. Rather, this memorandum serves two purposes.

1. It is the Department's response to requests from social services districts that have asked for support regarding the mechanisms for purchasing intensive discharge planning and aftercare services for children who are placed in voluntary authorized agency foster care programs.

2. It provides an opportunity for social services districts to implement a foster care program that has the potential to achieve improved outcomes for children and families and to maximize the use of available resources.

The program and fiscal benefits of considering the implications of implementing the change described in this memorandum are discussed below. In addition, the Attachments to this memorandum provide instructions regarding the following:

- the contractual components that need to be addressed regarding implementation of the intensive discharge and aftercare services model, with an emphasis on specifying the services to be delivered and the outcomes that are anticipated;
- the claiming process that will support a change in the delivery of services including new procedures for claiming additional discharge planning and aftercare activities under Title IV-E of the Social Security Act (upon approval by the federal government);
- the budgeting concepts and tools for calculating anticipated reductions in foster care days that can be projected as "reinvestments" for financing the change in service delivery.

B. BACKGROUND

The impetus for this memorandum comes from local social services officials who have sought clarification regarding the arrangements for purchasing intensive discharge and aftercare services for foster children placed in voluntary authorized agency foster care programs. Most of these requests have presented program models for serving children in group care settings, though some requests have presented models for children in foster boarding homes as well. In either case, the themes that have been presented are to provide intensive discharge planning and aftercare services that are designed to both shorten a child's placement in a foster care facility as well as reduce the risks of future child welfare interventions for a child and his/her family.

The information in this memorandum and its Attachments may be used for initiatives that target the population of an entire foster care program, or some portion of that population. In addition, the same procedures may be used for changing the delivery of foster care services for children who are entering care, as well as for those who are currently being served in foster care programs.

C. PROGRAM AND FISCAL BENEFITS

Proposals from social service districts and voluntary authorized agencies have presented the program benefits of providing intensive discharge and aftercare services in terms of the following outcomes:

- children whose placement in a group care facility or foster boarding home will be minimized or significantly reduced from historical patterns; and
- children who will experience a stable discharge to family or relatives (for children who return home), or to other permanent living arrangements (for children with a goal of adoption or independent living).

More specifically, we have reviewed a number of proposals that target foster children who require the temporary services of a residential program but whose family strengths provide an opportunity for shortening the time in residential care by as much as six months. This type of alternative emphasizes the use of family workers who do intensive supervision of the child and family from the outset of placement and who continue to provide the necessary supervision and services when the child returns to his/her family. Proposals from these agencies anticipate not only reductions in time in placement, but reductions in the child's risks for reentry into foster care. Also, these proposals promote the concept of funding the cost of additional discharge and aftercare services with the money that otherwise would be spent for longer periods of foster care.

The HomeRebuilders Demonstration Project is an example of an intensive discharge and aftercare services model that was piloted for children in foster boarding homes. It served approximately 2,000 children who were targeted for earlier discharge with the support of intensive discharge and aftercare services. Through the use of a capitation-like payment, each agency was challenged with developing a more effective foster care model that would achieve reduced lengths of stay, discharges to safe and permanent homes, and the prevention of reentry to care using a predetermined budgeted amount for the project period. Initial findings indicate that the above outcomes were achieved at no additional costs to State and local governments.

Although the per diem foster care costs for children who receive intensive discharge and aftercare services may be higher than usual during the initial months of placement, a shortened stay in a group care facility or foster home has the potential to yield a financial benefit that covers the cost of the changes in the timing and pattern of service delivery. It also has the potential to yield savings. The concept of changing the delivery of foster care services to both shorten time in out-of-home care and reduce the risks of future dependency on government programs, may be an attractive strategy for improving services to children and families and for better managing the resources that are available to social services districts through the Family and Children's Services Block Grant.

D. SUBMISSION OF A MANAGED CARE PLAN

A social services district that is interested in implementing an intensive discharge and aftercare services model must submit a managed care plan to the Department for approval. The managed care plan (as defined in Section 153-i(2) of Social Services Law) is a vehicle that allows the Department to provide the appropriate technical assistance and support in the implementation of new models of foster care service delivery. (A social services district may establish a managed care initiative individually or in combination with other social services districts.) Because the scope of the managed care model discussed in this memorandum is limited to children in foster care, the scope of the managed care plan can be similarly limited in scope. The requirement to develop a managed care plan to implement the model outlined in this memorandum need not be burdensome to a social services district.

Because there is likely to be a wide variety of alternative approaches to the implementation of an intensive discharge and aftercare services model, the Department does not specify the additional discharge and aftercare services to be delivered. Thus, the program, fiscal, and organizational arrangements may vary. This means that a social services district has the flexibility to target a population and develop a contractual arrangement that specifies the services that will be delivered to achieve the desired results for that target group.

At the same time, the Department is concerned that local social services officials who consider contracts for additional discharge and aftercare services are protected from negotiating payments for services that are already supported through existing rates and for services that may be nonreimbursable. The Department is prepared to provide the necessary support to social services districts to assist in the analysis of rates and in the generation of data to support these initiatives.

There are two overarching requirements for a social services district regarding the development of a managed care plan:

1. The plan must be designed to achieve the following outcomes for targeted children and families including, but not limited to:
 - protecting children from abuse and neglect;
 - preventing the need for foster care placements; and
 - reducing the length of placements by achieving permanency planning goals in the shortest time feasible.
2. The plan's payment arrangements must meet the following standards for purposes of reimbursement:
 - federal and State reimbursement will be limited to reasonable and necessary costs; and
 - payment methodologies must be designed to maximize reimbursement from existing funding sources.

In addition to the above requirements, the following vital areas must be clearly addressed in a foster care managed care plan:

Needs Assessment/Target Population and Outcomes

The social services district will need to identify and describe the population selected for its foster care managed care model; and it will need to specify outcomes and outcome measures.

Identifying the target population will require an assessment of past and present patterns of service use and cost, including the characteristics and service needs of children and families. Specifying outcome measures will require an analysis of past and present discharge rates, length of stay patterns, and rates of readmission for the target population.

Program and Fiscal Design

The social services district will need to specify the intensive discharge and aftercare services to be delivered to the target population and the payment arrangements for supporting the delivery of such services.

The process of designing the services to be delivered, and the necessary payment and contractual arrangements, will logically flow from discussions in a social services district regarding:

- the strategies that will achieve the desired outcomes for targeted children and families;
- the organizational arrangements that will provide for an effective and efficient delivery of those strategies (as part of a managed care plan, a social services district is permitted to delegate the responsibility for case management services to the voluntary authorized agency provider); and
- the payment agreements for supporting and claiming program costs.

Contractual Issues

Managed care is in large part a better, smarter, more demanding purchasing arrangement. Basic to the purchase of foster care services from voluntary authorized agencies is the contract. The services to be delivered, the issues of case management, the outcomes, and the manner of payment are only enforceable to the extent that the negotiated agreements in such areas are specified in the contract.

Instructions for amending the existing foster care contract for the purpose of implementing a foster care managed care model are included in Attachment A of this memorandum. A social services district must submit a copy of the proposed amendments that will implement the managed care arrangements, or a copy of the proposed language of a newly constructed managed care contract, to the Department for approval.

E. TECHNICAL ASSISTANCE

Staff from the Division of Services and Community Development are available to provide technical assistance to social services districts interested in developing a foster care managed care model using the mechanisms outlined in this memorandum.

Technical assistance is available to help you:

- review program and budget proposals;
- develop outcome measures and rate setting procedures;
- review contract language and proposed agreements regarding the provision of, and payment for, the services provided through a foster care managed care contract.

Please contact your regional representative for a discussion regarding the requirements of developing and implementing a foster care managed care plan as discussed in this memorandum.

As mentioned above, you can refer to the Attachments for budgeting examples and tools, as well as instructions regarding payment and claiming mechanisms, contract amendments, and system implications.

NOTE: Chapter 436 of the Laws of 1997 renames the Department of Social Services as the Department of Family Assistance comprised of two independent offices -- the Office of Children and Family Services and the Office of Temporary and Disability Assistance. Upon the execution of a Memorandum of Understanding and compliance with the Civil Service Laws, responsibility specified in that Chapter Law, will be transferred from the former Department of Social Services to the Office of Children and Family Services (OCFS) and fully integrated with the functions and duties of the former Division for Youth.

Rose M. Pandozy
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Division of Services and Community
Development